



FOR IMMEDIATE RELEASE
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TUCSON MAN FACES FEDERAL CHARGES IN FRAUDULENT STUDENT LOAN SCHEME

Federal investigation shows he netted over \$624,000

TUCSON, Ariz. – Stephen Gallagher, 27, of Tucson, was arrested on November 9, 2007, and made his initial appearance in U.S. District Court on November 13, 2007 for allegedly engaging in a fraudulent scheme to obtain student loan funds which netted him over \$624,000. On November 15, 2007, a U.S. Magistrate Judge set a \$5,000 cash or corporate surety bond for his release which was posted later that day.

The criminal complaint, filed on November 8, 2007, alleges that from 2003 to 2007, Gallagher submitted over 200 student loan applications via the Internet to various financial institutions. The majority of these loan applications originated from one of eight different America On-Line (AOL) email accounts registered in the name of Stephen Gallagher. He submitted loan applications in his own name as well as in the names of unsuspecting individuals, later adding these other individuals to his bank account so he could deposit the student loan checks which were made payable in the name of the borrower. Supporting documentation, such as proof of employment and residence verification, was submitted to each financial institution via FAX machine. Much of this documentation was determined to be fraudulent.

To date, the Federal Bureau of Investigation has identified approximately 42 fraudulent student loans totaling \$624,287.32 to be associated with Gallagher. Applications were submitted for attendance at Stanford University, George Washington University, University of Arizona, and Scottsdale Culinary Institute. None of the individuals listed as the borrower on the student loan applications ever attended these institutions. The financial institutions that funded the student loans include: First Marblehead, Wells Fargo, Key Bank, Education Finance Partners, Suntrust, JP Morgan Chase Bank, Chela Funding, Richland Bank, and Sallie Mae. In total, Gallagher applied for over \$10 million in student loan funds from these financial institutions.

A conviction for bank fraud carries a maximum penalty of 30 years in federal prison, a \$1 million fine, or both. A criminal complaint is simply the method by which a person is charged with criminal activity and raises no inference of guilt. An individual is presumed innocent until competent evidence is presented to a jury that establishes guilt beyond a reasonable doubt.

The investigation was conducted by the Federal Bureau of Investigation with assistance from the U.S. Department of Education. The prosecution is being handled by Eric Markovich, Assistant U.S. Attorney, District of Arizona, Tucson, Ariz.

CASE NUMBER: 07-02408M
RELEASE NUMBER: 2007-238(Gallagher)

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